



Billing Code 6210-01-P

FEDERAL RESERVE SYSTEM

Proposed Agency Information Collection Activities; Comment Request

AGENCY: Board of Governors of the Federal Reserve System.

SUMMARY: The Board of Governors of the Federal Reserve System (Board), under authority delegated by the Office of Management and Budget (OMB), proposes to amend its reporting form FR 2420 to expand the number of respondents and to collect additional data elements, in order to facilitate the Board's ability to carry out its monetary policy and supervisory responsibilities.

On June 15, 1984, OMB delegated to the Board its authority under the Paperwork Reduction Act (PRA), to approve and to assign OMB control numbers to collection of information requests and requirements conducted or sponsored by the Board. Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instruments are placed into OMB's public docket files. The Board may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB

control number. A copy of the PRA OMB submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB's public docket files, once approved. These documents will also be made available on the Federal Reserve Board's public website at:

<http://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the Federal Reserve Board Acting Clearance Officer, whose name appears below.

DATES: Comments must be submitted on or before [insert date 60 days after publication in the *Federal Register*].

ADDRESSES: You may submit comments, identified by *FR 2420*, by any of the following methods:

- Agency Website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: regs.comments@federalreserve.gov. Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.

- Mail: Robert deV. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street (between 18th and 19th Streets NW) Washington, DC 20006 between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer, Shagufta Ahmed, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235 725 17th Street, NW, Washington, DC 20503 or by fax to (202) 395-6974.

FOR FURTHER INFORMATION CONTACT:

Federal Reserve Board Acting Clearance Officer, Mark Tokarski, Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

SUPPLEMENTARY INFORMATION:

Request for comment on information collection proposal

The following information collection, which is being handled by the Board under OMB-delegated authority, has received initial Board approval and is hereby published for comment. At the end of the comment period, the proposed information collection, along with an analysis of comments and recommendations received, will be submitted to the Board for final approval under OMB-delegated authority. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Board's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and

- e. Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Proposal to approve under OMB-delegated authority the extension for three years, with revision, of the following report:

Report title: Report of Selected Money Market Rates.

Agency form number: FR 2420.

OMB control number: 7100-0357.

Frequency: Daily.

Proposed Reporters: Domestically chartered commercial banks and thrifts that have \$15 billion or more in total assets, or \$5 billion or more in assets and meet certain unsecured borrowing activity thresholds; U.S. branches and agencies of foreign banks with total third-party assets of \$2.5 billion or more.

Estimated annual reporting hours: Commercial banks and thrifts – 42,300 hours; U.S. branches and agencies of foreign banks – 35,100 hours; International Banking Facilities – 19,750 hours; Significant banking organizations – 900 hours.

Estimated average hours per response: Commercial banks and thrifts – 1.8 hours; U.S. branches and agencies of foreign banks – 1.8 hours; International Banking Facilities – 1.0 hour; Significant banking organizations – 1.8 hours.

Number of respondents: Commercial banks and thrifts – 94; U.S. branches and agencies of foreign banks – 78; International Banking Facilities – 79; Significant banking organizations – 2.

General description of report: The FR 2420 is a mandatory report that is authorized by sections 9 and 11 of the Federal Reserve Act (12 U.S.C. 324 and 248(a)(2)), sections 7(c)(2) and 8(a) of the International Banking Act (12 U.S.C. 3105(c)(2) and 3106(a)), and section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844(c)(1)(A)). Individual respondent data are regarded as confidential under the Freedom of Information Act (FOIA) (5 U.S.C. 552(b)(4)).

Abstract: The FR 2420 is a transaction-based report that currently collects daily liability data on federal funds transactions, Eurodollar transactions, and certificates of deposit (CDs) from (1) domestically chartered commercial banks and thrifts that have \$26 billion or more in total assets and (2) U.S. branches and agencies of foreign banks with total third-party assets of \$900 million or more. FR 2420 data are used in the analysis of current money market conditions and will allow the Federal Reserve Bank of New York to calculate and publish interest rate statistics for selected money market instruments.

Current Proposal: The Board seeks to amend the FR 2420 by altering reporting entity criteria, by changing certain definitions and reporting requirements, and by collecting additional data elements, as set forth more fully below under “Summary

of Proposed Revisions.” These amendments would facilitate the Federal Reserve’s ability to carry out its monetary policy and supervisory responsibilities in several important respects.

First, the proposed expanded data collection would improve unsecured money market monitoring and augment the ability of the Federal Reserve to analyze these markets and implement monetary policy objectives established by the Board and the Federal Open Market Committee.

Second, the proposed expanded data collection would provide broader and more detailed data for purposes of calculating the Federal Funds Effective Rate (FFER). The FR 2420 collection captures a greater share of federal funds activity than the brokered data that currently is used to construct the FFER, as depository institutions report both trades executed through brokers and those negotiated directly between counterparties. The data also allow for greater insight into the transactions underlying the federal funds rate, supporting a robust calculation process.

The revised collection also would allow for the publication of an overnight bank funding rate that is calculated using transactions in both federal funds and Eurodollars. This additional rate will be published to increase the amount and

quality of information available to the public about the overnight funding costs of U.S.-based banking offices.¹

Third, the proposed expanded data collection would provide an important source of information on individual depository institutions' borrowing rates, which is necessary for more effective monitoring of firm-specific liquidity risks for purposes of supervisory surveillance. Specifically, the amended FR 2420, as proposed, would provide complementary rate information that will not be collected going forward by either the Complex Institution Liquidity Monitoring Report (FR 2052a; OMB No. 7100-0361) or the Liquidity Monitoring Report (FR 2052b; OMB No. 7100-0361). These FR 2052 reports currently collect consolidated liquidity information on depository institutions' funding activities, and a limited amount of information on borrowing rates. Going forward, however, information contained on the FR 2420 would replace certain information currently gathered on the FR 2052a, as these data elements would be dropped from the FR 2052a collection. Pricing information on the FR 2052b will not change, as that data is not similar to FR 2420 data. The amended FR 2420 as proposed would offer greater insight on the borrowing costs for these liabilities.

¹ A more detailed description of the plans to change to the calculation process for the federal funds rate and publish the overnight bank funding rate can be found at: http://www.newyorkfed.org/markets/opolicy/operating_policy_150202.html.

Proposed Effective Date: The Board proposes to implement the amended FR 2420 as of September 9, 2015.

Summary of Proposed Revisions

I. Reporting Criteria

As specified below, the Board is proposing several changes to the reporting criteria, including a) lowering the asset-size threshold for domestic depository institutions to report on the FR 2420, b) raising the asset-size threshold for FBOs to report on the FR 2420, c) adding an activity-based reporting criterion to capture meaningful activity of domestic depository institutions, d) requiring FBOs to include the Eurodollar borrowings for certain Cayman or Nassau branches, and e) requiring all FR 2420 respondents to submit separate reports for their International Banking Facilities (IBFs).

Under this proposal, exceptions to the reporting criteria may be made for those institutions that meet the asset size threshold but that demonstrate that they have an ongoing business model that results in a negligible amount of activity in these markets. In addition, an institution that did not meet the asset size threshold at the time of the most recent asset threshold review may be required to begin reporting transactions on the FR 2420 if its transactions consistently place it within the threshold levels.

a. U.S. Bank Asset Size Threshold

The Board proposes to reduce the current asset threshold for domestic depository institutions to report on the FR 2420 from \$26 billion or more in total assets to \$15 billion or more in total assets. An important segment of federal funds activity that occurs at relatively high rates is not currently captured on the FR 2420 reporting sample because this activity is undertaken by domestic depository institutions with total assets that fall below the \$26 billion reporting threshold. Expanding the current FR 2420 reporting panel to capture this activity is necessary to enhance the representativeness of the data collection, in particular for purposes of calculating the FFER. This proposed lower threshold is intended to balance the need for more comprehensive data against the reporting burden to the affected depository institutions. Specifically, it is anticipated that the proposed lower threshold would add approximately 34 domestic banks to the pool of FR 2420 respondents.

b. FBO Asset Size Threshold

The Board proposes to increase the asset size threshold for FBOs to report on the FR 2420 from \$900 million in third-party assets to \$2.5 billion in third-party assets. This increased threshold would reduce the reporting panel by roughly 31 FBOs, many of which have reported a negligible amount of unsecured borrowing activity each day on the FR 2420. This proposal is intended to reduce reporting burden for these institutions.

c. U.S. Bank Activity Threshold

The Board proposes to require domestic depository institutions with total assets ranging from \$5 billion to \$15 billion and federal funds activity of more than \$200 million on more than two days during the preceding three months to report on all parts of the FR 2420. It is anticipated that there would be a modest number of institutions added to the FR 2420 reporting panel under this proposal. This activity threshold is intended to capture only domestic depository institutions in the specified asset range that are active borrowers in federal funds.

d. Managed and Controlled Cayman and Nassau Branches

The Board proposes to require FBOs to include the Eurodollar borrowings for any “managed and controlled” branches located in the Cayman Islands or Nassau, Bahamas (Cayman and Nassau branches) with more than \$2 billion in total assets on the FBO’s FR 2420 report.² “Managed and controlled” branches are those branches for which the FBO files an FFIEC 002S (OMB No. 7100-0032). Cayman and Nassau branches within this specification are maintained by both domestic depository institutions and FBOs to support funding for their U.S.

² Currently, all “managed and controlled” branches of FBOs reporting on the FR 2420 are located in the Cayman Islands or Nassau, Bahamas. However, the Board may determine that a FBO branch outside of these two locations but within the Caribbean generally should report on the FR 2420 if the majority of the responsibility for business decisions, including but not limited to decisions with regard to lending or asset management or funding or liability management, or the responsibility for recordkeeping in respect of assets or liabilities for that FBO branch, resides at a FBO that reports on the FR 2420.

operations with Eurodollar liabilities. The FR 2420 currently captures Cayman and Nassau branch activity of a domestic parent with over \$2 billion in assets, but not Cayman and Nassau branch activity of FBOs where those branches are managed and controlled by the FBO's New York branch. The data proposed to be reported on the FR 2420 from these branches are believed to represent a significant portion of the Eurodollar trading activity executed in the U.S. and are an important source of information on the funding activity of foreign banks' U.S. operations.

e. International Banking Facilities

The Board proposes to require all FR 2420 respondents to submit a separate report (Schedule B only) for the Eurodollar borrowings of their IBFs. IBFs enable U.S. depository institutions to take foreign deposits (Eurodollars) in a U.S. office. The Board proposes to capture the Eurodollar activity of these entities on Schedule B of the FR 2420. The borrowings by these entities currently are believed to represent a modest proportion of overall Eurodollar activity; however, IBFs can be an important element of the overnight Eurodollar market facilitating transactions with international financial and official institutions.

II. Proposed Revisions Applicable to All Parts of the FR 2420

a. Counterparty Type

The Board proposes to add a reporting field to the FR 2420 that would require respondents to identify counterparties by seven specified "counterparty

type” categories. Understanding counterparty types would improve the assessments of which types of firms are providing funding to depository institutions. Information on counterparty type would be particularly critical during times of stress, when certain lender groups may reduce available funding. The following are the proposed FR 2420 counterparty designations, which are based on Call Report and FR 2900 definitions.³ The number of counterparty designations used for each schedule of the FR 2420 varies based on the definition of the different transaction types:

- U.S. depository institutions (includes their foreign branches and IBFs)
- U.S. branches and agencies of FBOs
- Foreign banks (includes IBFs of FBOs and Cayman and Nassau branches “managed and controlled” by the FBOs.)
- Non-depository financial institutions, not including federally-sponsored lending agencies
- Government Sponsored Enterprises (GSEs)
- Non-financial corporates
- Other

b. Trade Date and Settlement Date

³ The definition for non-financial corporates is taken from the FR 2052 Liquidity Monitoring reports.

The Board proposes to add “trade date” and “settlement date” report fields to the FR 2420. Capturing a trade date field would affirm the actual trade date and would help to ensure the accuracy of other report elements. Settlement date is necessary to calculate the settlement period for forward starting transactions.

c. Forward Starting Transactions

Currently, the FR 2420 only requires reporting of transactions settling on a spot basis. For federal funds and Eurodollars, spot basis settlement represents same-day settlement and, for CDs, two-day forward settlement. In order to capture the full complement of money market activity, the Board proposes to require reporting of transactions that settle on dates that do not conform to the spot convention; that is, to require reporting of transactions that settle beyond the day of trade execution for federal funds and Eurodollar transactions and on days other than two days after execution for CD transactions.

III. Proposed Revisions Applicable to FR 2420 Part A (Federal Funds)

Currently, Part A of the FR 2420 report requires respondents to report all unsecured borrowings of U.S. dollars made to the reporting institution’s U.S. offices on the report date, less deposits (as defined in the Call Report), debt instruments, and repurchase agreements. The Board proposes to amend the definition of “federal funds” applicable to the FR 2420 to correspond to a narrower set of transactions that is consistent with the provisions of the Board’s Regulation

D (Reserve Requirements of Depository Institutions, 12 CFR Part 204). Under the current definition, some FR 2420 respondents are reporting domestic borrowing transactions as federal funds borrowing that do not fall under the federal funds exemption outlined in Regulation D. Aligning the definition of “federal funds transactions” in Part A of the FR 2420 with the “federal funds” exemption in Regulation D would improve the correspondence between the reported transactions and liabilities that are exempt from reserve requirements.

IV. Proposed Revisions Applicable to FR 2420 Part AA (Wholesale Borrowings)

The Board proposes to add a new Schedule AA to the FR 2420 report to capture selected unsecured wholesale borrowings that are currently being reported as federal funds borrowing on the FR 2420, but would not be included under the proposed federal funds definition described above. For example, a direct borrowing from a corporate lender would be included as a “federal funds borrowing” under the FR 2420’s current definition of “federal funds,” but would not be included under the proposed “federal funds” definition described above. The proposed Schedule AA would continue to capture these non-deposit transactions but would re-categorize them as “wholesale borrowings.” These transactions represent a small, but potentially important, alternate source of information on depository institutions’ funding costs. As these transactions are

already reported on the current FR 2420 report, there should be minimal additional burden involved with reporting those same transactions on the proposed schedule to the report.

V. Reporting Requirements Applicable to FR 2420 Part B (Eurodollars)

The Board proposes to add an “office identifier” field to the FR 2420 to identify the non-U.S. branch that booked each Eurodollar deposit. Currently, the FR 2420 requires respondents to report transactions from all non-U.S. branches of domestic institutions with more than \$2 billion in total assets as Eurodollar transactions. Some of these transactions, however, are booked in countries with dollar deposit rates that are substantially different than the dollar deposit rates booked in Cayman or Nassau branches. For purposes of monitoring U.S.-based funding conditions and supporting the calculation of the overnight bank funding rate (OBFR), it is necessary to identify the branch that booked the transaction. Accordingly, the proposal would add an “office identifier” field to the FR 2420 to identify the non-U.S. branch that booked each Eurodollar deposit.

VI. Reporting Requirements Applicable to FR 2420 Part C (Time Deposits and CDs)

a. Definition for CDs

The Board proposes to require FR 2420 respondents to report all time deposits and certificates of deposit with a term equal to or greater than 7 days in

Schedule C, regardless of whether the respondent labels them as “CDs” or “term time deposits.” The current FR 2420 instructions only require that “certificates of deposit” be reported. Discussions with market participants, however, have revealed that there is little distinction between a non-negotiable CD and a time deposit. In addition, some market participants have specifically not reported borrowings designated as “term time deposits” because they were not internally characterized as CDs. The proposed amendment will ensure more complete reporting of the relevant data.

b. Interest Rate Spread

Currently, the FR 2420 report does not have an “interest rate spread” reporting field. Without this field, the underlying value of the reference rate and spread components cannot be determined with certainty. Accordingly, the Board proposes to add an “interest rate spread” field to the FR 2420 report. This new reporting field will enable calculation of the value of the underlying reference rate without looking up the reference rate in an additional data source. This field would be labelled ‘NA’ for fixed-rate CDs.

c. Option Identifiers and Step-Up Indicator

The Board proposes to add report fields to the FR 2420 that would identify CDs with embedded options as well as CDs and time deposits with rates that change over the term of the CD. CDs with options are becoming an increasingly

important financial instrument with growing issuance, particularly in products with options to extend the maturity date. One additional data field would need to be added to identify instruments with embedded options. In addition, experience with the current data suggests that there is also a segment of the CD market with rates that rise or “step up” over the course of the instrument’s life. An additional field would be necessary to identify these transactions. These fields could be particularly important for informing the use of CD rates in the calculation of reference rates, as options affect the comparability of instruments to others with the same stated maturity dates.

- CDs with embedded options would be identified under the proposal with an additional field that would capture the type of option, specifically ‘callable,’ ‘puttable,’ ‘extendable,’ and ‘other,’ or indicate ‘NA’ for CDs without embedded options.
- Rates that will rise or fall over the life of the time deposit or CD based on a pre-arranged agreement would be identified under the proposal with an additional field that would be a ‘Y’ or ‘N’ step-up indicator.

Board of Governors of the Federal Reserve System, April 2, 2015.

Robert deV. Frierson,
Secretary of the Board.

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